

Calculating Semi-Monthly Overtime

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Step 1: Calculation of Overtime

Overtime is considered over the course of a workweek.

<https://www.dol.gov/agencies/whd/overtime>. In states where overtime may come from multiple measurements, ie 40 hour OT, 8 hour OT, 12 hour OT or 6-day+ consecutive OT, overtime need not be "pyramided" but rather use the greatest of the various means of potential overtime.

Step 2: Calculation of Overtime Rate

Overtime pay is based on the employee's **regular rate of pay**.

<https://www.dol.gov/agencies/whd/fact-sheets/56a-regular-rate>, which the employer must calculate. With the exception of flat-rate bonus payments, the regular rate is the average hourly rate calculated by dividing the total pay for employment (except the statutory exclusions) in any workweek by the total number of hours actually worked. The California Supreme Court decision in *Alvarado v. Dart Container Corporation of California* provides that overtime pay attributable to an employer's "flat-sum" bonus (i.e., a bonus amount that is not dependent on the number of hours worked by an employee) should be calculated by dividing the amount of the bonus by only the total number of non-overtime hours rather than by all hours worked.

The regular rate can be calculated by dividing total regular wages by total hours worked. Alternatively, the same results are produced by applying overtime proportionately to hours worked at various jobs and their corresponding wage rates. Regardless of the method, overtime rates cannot be accurately calculated until a workweek is complete.

Step 3: Adjustments for Semi-Monthly Overtime

When semi-monthly pay cycles are used, it is likely that the start of a pay cycle, ie the 1st or 16th of a month, will fall mid-way through a workweek. Being that overtime can not be calculated until a workweek is complete, overtime for an incomplete workweek is calculated and paid on the ensuing pay period.

Teamwork automates the calculation of overtime for complete workweeks, and the pay-out of overtime on ensuing pay periods. **Note that base pay is always paid in the period earned. Only the overtime premium is paid on an ensuing workweek where applicable.**

For an understanding of why .5x overtime is useful in a multi-rate environment, see: <https://support.dolceclock.com/help/why-does-semi-monthly-payroll-force-the-use-of-05x-overtime-reporting>

